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September 19, 2003

T.R.A. DOCKET ROOM

Honorable Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

In Re: Docket to Approve Transfer of Customer Base
Docket No. 03- 03-00525

Dear Chairman Tate:

Enclosed please find the original plus fourteen (14) copies of the Petition for Expedited Approval together with our check in the amount of \$25.00. The Stipulation Among the Objecting Parties and the Debtors Concerning the Amended Plan and the Supplement is attached as Exhibit 2 to the Petition. This Stipulation has been consented to by all parties and a fully executed copy will be filed in the near future. A customer notice letter which will be pre-approved by the TRA will also be submitted once it is finalized.

WorldCom, Inc. requests approval of this docket by November 19, 2003.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By:


Jon E. Hastings

JEH/th

Enclosures

LAW OFFICES

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**Before the
TENNESSEE REGULATORY AUTHORITY**

Petition of)
)
)

WorldCom, Inc.)
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Docket No. _____

For Grant of the Authority Necessary for)
Restructuring and Certain Related Intra-Corporate)
Transactions Undertaken to Consummate)
WorldCom's Plan of Reorganization)
Under Chapter 11 of the Federal Bankruptcy Code)
_____)

PETITION FOR EXPEDITED APPROVAL

WorldCom, Inc. ("WorldCom"), by its undersigned counsel, and on behalf of its Tennessee public utility subsidiaries listed on Exhibit 1 hereto (together "Petitioners"), and pursuant to Tennessee Code 65-4-112, Tennessee Code Annotated 65-4-113 and the statutes and rules referenced therein, and TRA Procedural Rules 1220-1-1.08, hereby request that the Authority grant such authority as may be necessary or required in connection with the restructuring and certain related intra-corporate transactions undertaken to consummate WorldCom's Plan of Reorganization under Chapter 11 of the Federal Bankruptcy Code.

This Petition involves a corporate restructuring and related transactions that are essential aspects of WorldCom's Plan of Reorganization ("Plan") and its emergence from Chapter 11 bankruptcy protection.¹ WorldCom is submitting this Petition despite the absence of a clear legal

¹ The Plan of Reorganization (Exh. A to WorldCom's May 23, 2003 Disclosure Statement), the Supplement to Debtors' Disclosure Statement, dated July 3, 2003, and related documents are publicly available on-line at <http://global.mci.com/news/infodesk>. Any capitalized terms used in this Application which are not defined herein shall have the meanings set forth in the Plan.

basis for the Authority's direct involvement in the approval of a company's reorganization and emergence from bankruptcy. Indeed, WorldCom believes that the Authority's jurisdiction under Section 65-4-112 is preempted by sections 1123(a)(5) and 525 of the Bankruptcy Code, the doctrine of implied preemption, and the Bankruptcy Court's approval of the Plan. Pursuant to that belief, WorldCom reserves the right to raise and to pursue a preemption claim at an appropriate time and in an appropriate forum.

While WorldCom does not agree that the Authority has jurisdiction over this matter, WorldCom files this Petition with the Authority pursuant to the terms of the Stipulation signed September 19, 2003 (copy attached hereto as Exhibit 2), and in order to provide the Authority with full information about the post-emergence structure of WorldCom's Tennessee public utility subsidiaries, and to avoid potential time-consuming litigation over the issue of the Authority's jurisdiction. Although WorldCom submits this filing without prejudice to its legal position in this matter, there should be no doubt that WorldCom's successful emergence from bankruptcy is manifestly in the public interest, as is the receipt of any necessary approvals under Tennessee law, to the extent that they might otherwise be applicable.

In support of this Petition, Petitioners state as follows:

I. DESCRIPTION OF THE PETITIONERS

WorldCom is a corporation organized and existing under the laws of the State of Georgia with its principal place of business located at 22001 Loudoun County Parkway, Ashburn, Virginia 20147. WorldCom is a global telecommunications company. Through various operating subsidiaries, including the Tennessee subsidiaries identified in Exhibit 1, WorldCom provides international telecommunications services and is authorized to offer domestic interstate, intrastate, and local telecommunications services in each of the 50 states and the District of

Columbia. WorldCom's telecommunications offerings are comprehensive in scale and scope and include virtually every type of voice and data service. Additional information on WorldCom is available at www.mci.com.

II. CONTACT INFORMATION

Correspondence concerning this Petition may be directed to:

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III. DESCRIPTION OF THE REORGANIZATION

On July 21, 2002 and November 8, 2002, WorldCom, Inc., and 221 of its direct and indirect domestic subsidiaries (the "Debtors") commenced cases under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court in the Southern District of New York (the "Bankruptcy Court").² WorldCom's operating subsidiaries have continued to operate their public utility businesses, both in Tennessee and elsewhere, without interruption during the Chapter 11 reorganization proceedings. WorldCom has not discontinued or diminished its service to utility customers, despite its bankruptcy filing. It has maintained its state-of-the-art network, preserved service quality, and continued to expand the availability of innovative and competitive services during this process.

A. WorldCom's Bankruptcy Reorganization

WorldCom has proposed a Plan of Reorganization ("Plan") in the Bankruptcy Court that will reorganize the capital structure of WorldCom, Inc. WorldCom is the parent company of various operating subsidiaries, offers no services directly to the public, and holds no certificates of public convenience and necessity issued by the Authority. Under the Plan, WorldCom's existing common stock and debt will be cancelled and holders of certain classes of claims against the Debtors will receive, in full and complete satisfaction of their claims, newly issued stock in and/or notes of New MCI (as defined below). In addition, holders of some classes of claims will receive cash payments in full or partial satisfaction of their claims.

In addition, WorldCom will be reincorporated as a Delaware corporation and renamed MCI, Inc. To effectuate the reincorporation, the WorldCom holding company will be merged

² *In re WorldCom, Inc.*, Case No. 02-13533 (AJG) (S.D.N.Y.).

into a wholly-owned subsidiary that is incorporated in Delaware, with the subsidiary remaining as the surviving company. At the time of emergence, the subsidiary will change its name to MCI, Inc. ("New MCI"). New MCI will be authorized to issue up to 2 billion shares of new common stock, and between \$4.5 and \$5.5 billion of new notes to holders of Allowed Claims. New MCI will continue to be a widely-held public corporation. No single security holder will exercise either *de jure* or *de facto* control over New MCI. New MCI, like its predecessor WorldCom, Inc., will offer no services to the public and will hold no certificates issued by the Authority. The current officers of WorldCom will continue to serve as the officers of New MCI.

As a critical part of the reorganization, many of WorldCom's existing operating subsidiaries and holding company subsidiaries will be merged or dissolved so that the New MCI operates under a more rationally organized corporate legal structure. This streamlining is intended to achieve certain operating efficiencies, cost savings, and administrative benefits. The more efficient structure also will reduce duplication of effort and confusion in WorldCom's dealings with regulators, other government agencies, vendors, and customers.

As described more fully below and in Exhibit 1, there are five subsidiaries of WorldCom currently operating as competitive access providers ("CAPs") or competitive local exchange carriers ("CLECs") in Tennessee (collectively, the local operations are referred to herein as "CLEC/CAPs"). Each of these subsidiaries holds a separate certificate of public convenience and necessity and files its own tariffs separate from the other subsidiaries. The consolidation of CLEC/CAP operations envisioned by the Plan of Reorganization will result in the merger of three of these firms into one remaining firm, MCImetro Access Transmission Services, LLC

("MCImetro").³ Intermedia Communications, Inc. ("ICI"), a wholly-owned subsidiary of WorldCom, is certificated as a competitive local exchange carrier and interexchange carrier in Tennessee and will not be consolidated into MCImetro at this time. Instead, ICI will be merged into a newly-formed, wholly-owned subsidiary of New MCI at the time of emergence.

MCImetro is the entity that is best known for providing the residential "Neighborhood" service. It will survive and continue to be the primary entity providing local services for MCI. While these other subsidiaries and holding companies will be merged or dissolved, their tariffs will be incorporated appropriately into existing or new tariffs of the surviving entity, MCImetro, so that all current customers will continue to receive service under the same rates, terms, and conditions as they currently enjoy. Affected customers will receive prior notice of all these organizational changes, and the Authority will be able to review these tariff changes to ensure that consumers' rights are fully protected.⁴ Further, Intermedia Communications, Inc. ("ICI"), a wholly-owned subsidiary of WorldCom, will be merged into a newly-formed, wholly-owned subsidiary of New MCI at the time of emergence, but there will be no change to the rates, terms and conditions of the services being provided to Intermedia customers as a result of that restructuring.

It is important to emphasize that, unlike certain other bankruptcies involving regulated utilities, WorldCom's Plan for emergence from bankruptcy envisions no change in state jurisdiction over any of its regulated operations. The services, rates, terms, and conditions of

³ MCI WorldCom Communications, Inc. will have its CLEC assets transferred to MCImetro, but retain its separate identity as an interexchange carrier.

⁴ On August 18, 2003, WorldCom filed with the Bankruptcy Court a description of its current plans with respect to the CLEC consolidation and the changes to its legal structure that will occur as a result of the internal reorganization. WorldCom will notify the Authority if there are any material modifications to those plans as the company proceeds through the conclusion of the Chapter 11 emergence process.

service provided to the customers of MCI's utility subsidiaries will remain subject to the jurisdiction of the Authority to the same extent as before emergence. New MCI's subsidiaries will continue to file tariffs, notices, and reports with state commissions, as appropriate, regarding all of their intrastate services.

Confirmation hearings for the Plan commenced in Bankruptcy Court on September 8, 2003. Prior to then, groups representing approximately 97 percent of the company's creditors voted in support for the Plan. Since the confirmation hearings began, the Company has entered into proposed settlement agreements with two remaining classes of creditors, meaning that the Plan has now received the support of virtually all of the Company's creditors.

B. Effect of the Reorganization on WorldCom's Tennessee Public Utility Subsidiaries

The reorganization of the WorldCom holding company, the Intermedia merger and the internal consolidation of the operations of certain of WorldCom's existing subsidiaries will have no effect on the services or the rates, terms, and conditions of those services that are currently being provided to Tennessee customers. Nor will there be any effect on the Authority's jurisdiction to regulate the provision of services to those customers. As a technical matter, however, the reorganization of WorldCom under Chapter 11 will have some direct and indirect effects on the legal structure of the company's Tennessee public utility subsidiaries that, on their face, might arguably be subject to approval requirements under Section 65-4-112. These aspects of the transaction are as follows:

First, as noted above, WorldCom, a Georgia corporation, will be reincorporated in Delaware and will change its name to MCI, Inc. As was the case prior to the reorganization, no single security holder will exercise either *de jure* or *de facto* control over New MCI. However,

as a technical matter, the reincorporation will result in a change in the legal entity holding the stock of all of WorldCom's Tennessee public utility subsidiaries that -- outside the bankruptcy context -- might be construed as a "transfer of control" of those subsidiaries. The Petitioners do not believe that such a transaction falls within the scope of Section 65-4-112 and thus does not require approval of the Authority. Nonetheless, the Petitioners mention this portion of the reorganization in the interest of completely and accurately describing the entire reorganization plan.

Second, Intermedia Communications, Inc. ("ICI"), a wholly-owned subsidiary of WorldCom, will be merged into a newly-formed, wholly-owned subsidiary of New MCI at the time of emergence.⁵ However, there will be no change to the rates, terms and conditions of the services being provided to Intermedia customers as a result of this restructuring. Consistent with the Plan, this merger will extinguish certain pre-bankruptcy claims relating to ICI. Although in itself not a transfer of actual working "control," this will result in a *pro forma* transfer of ICI's Tennessee public utility operating authority to a new corporate entity, which -- outside the bankruptcy context -- could be construed as a transfer within the scope of Section 65-4-112, and WorldCom seeks approval of that reorganization transaction to the extent deemed necessary by the Authority.

Third, several of WorldCom's existing CLEC/CAP subsidiaries will be consolidated into MCImetro as part of the Plan. In Tennessee, the Company's current plan is to consolidate into MCImetro the following operating subsidiaries that hold certificates of public convenience and necessity: (1) Brooks Fiber Communications of Tennessee, Inc.; and (2) Metropolitan Fiber

Systems of Tennessee, Inc.⁶ Additionally, the CLEC operations and assets of MCI WorldCom Communications, Inc. will be consolidated into MCImetro. There are fewer than 200 Brooks customers and fewer than 200 MCI WorldCom Communications customers who will be affected by this consolidation.

MCImetro already has the necessary certificates to be able to provide service to the customers currently served by these three companies. The consolidation will result in a streamlined and more efficient corporate structure that achieves cost savings and eliminates administrative duplication, including overlapping reports and regulatory filings.⁷ At the same time, customers of these entities will continue to receive service under the same rates, terms and conditions they currently enjoy. Although not itself a transfer of actual working "control" of these CLEC/CAP subsidiaries, this *pro forma* consolidation might, outside the bankruptcy context, require prior approval by the Authority under Section 65-4-112.⁸ WorldCom believes that the CLEC/CAP reorganization is an integral part of the overall restructuring plan described

⁵ In addition, Access Network Services, Inc., an existing subsidiary of Intermedia Communications, Inc., will be merged into its parent, with Intermedia Communications, Inc., being the surviving entity.

⁶ More precisely, Brooks Fiber Communications of Tennessee, Inc. will first be merged into its current parent company, Brooks Fiber Properties, Inc., an unregulated intermediate holding company that is wholly-owned by WorldCom, Inc. In turn, Brooks Fiber Properties, Inc. will be merged into MCImetro. Metropolitan Fiber Systems of Tennessee, Inc., which is licensed as a competitive access provider, will be merged into its parent company, MFS Telecom, Inc. and then, in turn, MFS Telecom, Inc. will merge into MCImetro.

⁷ MCImetro will update the Local Exchange Routing Guide (LERG) and similar databases, and notify appropriate administrative entities (e.g., the North American Numbering Plan Administrator and Telcordia), to reflect the consolidated ownership, within MCImetro, of all of the telephone numbers (NPA-NXX) blocks and carrier codes currently assigned to the CLECs that are being merged into MCImetro.

⁸ To complete the picture, WorldCom notes that the Plan of Reorganization provides for certain other inactive and/or non-operating public utility subsidiaries of WorldCom to be dissolved. None of these entities currently has any Tennessee customers, so their dissolution and the cancellation of their certificates of convenience and necessity will have no effect on customers. WorldCom does not believe that the dissolution of these non-operating companies would require approval under Rule 1220-4-2-.55 of the Authority rules, (regardless of whether they are undertaken as part of a bankruptcy plan), as this rule requires approval to withdraw service, not cancel a certificate. At the appropriate time, MCI will provide the Authority with a list of these entities so that the Authority may update its own records, as may be warranted.

above. However, to the extent that the Authority deems it necessary, MCImetro requests that the mergers and other transfers encompassed by the CLEC/CAP reorganization be approved. The Company will request the Authority to extinguish the unused certificates after the operations are consolidated into MCImetro and the appropriate tariff changes are filed following approval of the Plan and the reorganization.

Additionally, Applicants will notify affected local customers of the change in their service provider. However, it would be premature to notify such customers until the Plan has been confirmed by the Court. Therefore, at the appropriate time following the approval of the Plan and prior to the closing of the reorganization transactions it contemplates, Applicants will submit a notice to the affected local customers that complies with Section 1220-4-2-.56(d)(3)-(4) of the Authority's rules, and indicates that 1) customers will not be charged any fees associated with the consolidation of operations in MCImetro; and 2) the customers will receive 30 day written notice of any rate increases up to 90 days from the date of the reorganization. (As noted above, however, the reorganization will not result in any change in rates or terms of service.) In advance of sending that notice, and to the extent the Authority deems it necessary pursuant to Section 1220-4-2-.56(d) of the Authority's rules, Applicants will provide a copy of the notice to the Authority for review and approval and make any other applicable filings.

IV. THIS PETITION SHOULD BE CONSIDERED ON AN EXPEDITED BASIS

The public interest will be best served by the expeditious approval of this Petition. Competition will be increased by reinforcing WorldCom's status as a viable competitor, which will result from the completion of the bankruptcy process. More importantly, rapid completion of these transactions will minimize any potential for disruption of service. Petitioners emphasize that, following the completion of these transactions, end users will continue to receive service

under the same rates, terms and conditions as those services are currently being provided. As indicated by the Stipulation attached hereto as Exhibit 2, the Tennessee Attorney General's Office has expressed its interest in a rapid resolution of this matter. Accordingly, Petitioners respectfully request that the Authority approve this Petition as expeditiously as possible in order to allow WorldCom to consummate the proposed transactions as soon as possible.

V. PUBLIC INTEREST CONSIDERATIONS

Petitioners respectfully submit that transactions described in this Petition serve the public interest. The reorganization of WorldCom described above and in its Plan of Reorganization does not raise any of the traditional competitive or customer-affecting issues, nor will it affect the Commission's jurisdiction over the continuing operations of New MCI's operating subsidiaries in Tennessee following their emergence from bankruptcy protection. As set forth below, the transaction will in no way diminish competition, as no merger, consolidation, or acquisition involving another carrier or service provider is part of WorldCom's Plan of Reorganization. Nor will the transaction result in an increase in market share for New MCI post-emergence. WorldCom anticipates no adverse impact on service to its customers as a result of this reorganization, and no change in rates will occur as a result of these transactions or the effectuation of the Plan. The operating entities that will emerge after confirmation of the Plan will continue to file tariffs, provide required customer notifications and observe regulatory requirements to the same extent as WorldCom entities do today. In fact, as discussed below, successful implementation of the Plan will benefit New MCI's residential and business customers. In all other respects, the transaction will be seamless and transparent to WorldCom and the customers of its operating subsidiaries.

A. The Transactions are Part of a Comprehensive Reorganization Supervised by the Bankruptcy Court in Which the Interests of Customers, Employees, Creditors and Investors Are Being Thoroughly Considered.

In connection with the reorganization transactions to be effectuated pursuant to the company's Plan of Reorganization, the Bankruptcy Court already has been charged with thoroughly considering the public interests involved. The Chapter 11 reorganization process is being conducted under careful judicial supervision, including extensive safeguards to protect customer, employee, creditor, and investor interests similar to the factors considered by the Authority in approving non-bankruptcy transactions under Section 65-4-112.

Following its emergence from bankruptcy, the New MCI will be more financially sound. The creation of a financially sound business is a fundamental purpose of Chapter 11 of the Federal Bankruptcy Code, and among the specific findings that a Bankruptcy Court must make before confirming a reorganization plan is that "[c]onfirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under the plan, unless such liquidation or reorganization is proposed in the plan." 11 USC §1129(a)(11). Pursuant to its obligations under the Bankruptcy Code, the Bankruptcy Court is reviewing and will issue an order as to the most financially appropriate way for WorldCom to emerge from bankruptcy, and any similar review by the Authority would unnecessarily duplicate an inquiry that is already before the court.⁹

⁹ The Bankruptcy Code also requires that a Bankruptcy Judge consider a wide range of other important factors before confirming a plan of reorganization under 11 USC §§1121 *et seq.*, including whether the plan provides adequate means for its implementation (§1123(a)(5)), and whether the plan "provides for the continuation after its effective date of payment of all retiree benefits ..." (§1129(a)(14)). In addition, a plan cannot be confirmed unless it is accepted by all impaired classes of creditors and investors, or the Bankruptcy Court finds that the plan is "fair and equitable" with respect to each such class. §1129(b).

Further, consummation of the Plan is the *only* option currently on the table for the reorganization of WorldCom and the preservation of its Tennessee public utility operations. No alternative plan has been proposed to the Bankruptcy Court. Hence, if the Plan is not consummated the Court may find that liquidation of the Debtors is necessary. This would severely harm the legitimate interests of numerous creditors, over virtually 100 percent of which have expressed support for the Plan of Reorganization. Moreover, liquidation of WorldCom would be hugely disruptive to its Tennessee customers, would result in the loss of more than 50,000 jobs nationwide, and would potentially have a significant impact on prices and the level of competition in the long distance and local telephone service markets generally. As the District Court recently stated in approving the settlement of the Securities and Exchange Commission's litigation against the Company:

To kill the company . . . would unfairly penalize its 50,000 innocent employees, remove a major competitor from a market that involves significant barriers to entry, and set at naught the company's extraordinary efforts to become a model corporate citizen. It would also unfairly impact creditors, over 90 percent of who have stated their support for the company's plan of reorganization in recognition that it affords them far more value than liquidation. Finally, it would undercut the basic tenets of bankruptcy reorganization, a unique innovation of the United States bankruptcy law that has contributed materially to the conservation of economic resources and the stability of the U.S. economy.¹⁰

The Authority's "public interest" analysis considers similar criteria and, as the District Court found, the liquidation alternative plainly would be far less consistent with those "public interest"

¹⁰ *Securities and Exchange Commission v. WorldCom, Inc.*, Opinion and Order, 02 Civ. 4963, at 7 (slip op. Jul. 7, 2003), 2003 U.S. Dist. LEXIS 11394.

criteria than completion of the reorganization. As a result, prior review by the Authority in order to make that determination is plainly not necessary.

B. The Transactions Will Be Transparent to Customers and Will Cause No Changes in Utility Rates or Services.

The holding company transaction is a reorganization that does not change the actual working control of certificated Tennessee utilities or otherwise affect their operations, their rates, or their customers. The reorganization will not affect the management or operations of any surviving Tennessee public utility entity. There will be no interruption or change in service received by any Tennessee customer, nor any change in rates or terms of service. Although some customers will receive service from a different legal entity because of the consolidation and simplification of WorldCom's corporate structure, this change will not affect the rates or services they currently receive, or the day-to-day management and operation of the entities from which they obtain service. The consolidated MCImetro will continue to provide the same services, at the same rates, under the same tariffs, terms, and conditions as its predecessor entities. The only changes will be technical transfers of the legal form of organization of the utility companies and their parent holding company. Any subsequent proposal to change those rates and tariffs will be subject to Authority scrutiny.

C. The Reorganization Will Not Cause Any Change in Actual Working Control of Any Public Utility.

The Plan of Reorganization does not contemplate any change in operational control of any utility. WorldCom's current officers and management will remain in place post-reorganization, and will continue to exercise actual, working control over the company's Tennessee subsidiaries. The reorganization in this case will cause a change in legal ownership and corporate structure, but not an actual change in control over the Tennessee public utility

subsidiaries of WorldCom. Under the Plan, the existing common stock of WorldCom will be cancelled, and new common stock and notes of New MCI will be distributed to holders of certain claims against the bankruptcy estate. Because holders of some classes of claims may elect whether to receive new common stock or other consideration for their claims, WorldCom cannot at this time state precisely how the shares of new common stock will be distributed. However, WorldCom anticipates that the new stock (like the existing common stock) will be widely held, and that no individual or affiliated group will hold a controlling interest in the reorganized company. Moreover, the new common stock will be publicly traded, and will be subject to restrictions preventing any person that controls 4.75% or more of the stock from acquiring any additional shares.

D. The Reorganization Will Promote the Public Interest by Financially Strengthening the WorldCom Subsidiaries

As noted above, the financial viability of New MCI is under review by the Bankruptcy Court on a corporate-wide basis. Even if, however, the Authority were to consider the financial condition of the WorldCom subsidiaries in Tennessee, however, it would find that these entities will be far more financially secure following consummation of the Plan than they have been prior to, and as debtors in, a Chapter 11 proceeding. The capital structure of all the Debtor entities has, in effect, been “frozen” since the filing of Chapter 11 petitions last year, and the WorldCom companies have been able to obtain only short-term financing under the oversight of the Bankruptcy Court. Although WorldCom has made significant progress in putting its business on a sound financial footing while in bankruptcy, the company cannot obtain new capital (either equity or debt) or invest significantly in the improvement of its network until it emerges from

bankruptcy. Consummation of the Plan will accomplish this goal and enable MCI and its operating subsidiaries to compete effectively with other telecommunications carriers.

In addition, consolidation of the Tennessee CLEC/CAP subsidiaries into MCImetro can be expected to further improve the financial condition of these entities. The current corporate structure imposes unnecessary operating costs for corporate staff to track and account for assets, expenses and revenues for each subsidiary; and to prepare and submit duplicative regulatory filings, corporate paperwork, accounting and tax documentation, and other forms of legal compliance. The companies also must repeatedly negotiate and administer multiple interconnection agreements with incumbent local exchange carriers, franchise agreements with various municipalities and governmental agencies, and rights-of-way agreements with various individual property owners, governmental agencies, and businesses, and engage in various other duplicative activities. The streamlining of these activities should result in tangible cost savings that will allow MCImetro to compete more effectively in the Tennessee market.¹¹

E. The Reorganization Will Preserve a Strong Competitor

Another relevant consideration in the Authority's public interest analysis is the effect of a transaction on competition. That issue, of course, is inapplicable in the present case, since New MCI will remain as an independent competitor. The reorganization will not result in the consolidation of competitors or the exit of any carrier from Tennessee markets. To the contrary, MCI's emergence from Chapter 11 will *prevent* a reduction in competition that would otherwise

¹¹ Some of these same efficiencies will redound to the benefit of the Authority Staff and other government agencies since the companies' numerous reports, tariffs, and other governmental submissions will now be consolidated into fewer sets of filings. The consolidation also will facilitate the Authority's monitoring and enforcement efforts.

have occurred had WorldCom been forced to liquidate or if some competitor were to have acquired all or part of its assets.

Indeed, the reorganization of WorldCom will promote the development of a competitive telecommunications market in which customers may choose from the diverse service offerings of multiple providers. WorldCom is one of the few substantial remaining competitors to BellSouth and other incumbent Bell Operating Companies ("BOCs") in local, long distance, broadband, and Internet markets, and its continued presence in those markets will advance the state's and nation's policy of encouraging the development of competitive telecommunications markets.¹²

As the Authority is aware, WorldCom has long been at the forefront of tremendous innovation, and offers a wide array of voice, data, and Internet services to residential and business subscribers and numerous government agencies, and in addition it provides the critical Telecommunications Relay Services to hearing-impaired citizens pursuant to a contract with the State.¹³ In Tennessee, WorldCom is the largest competitor to the incumbent telephone companies in the residential telecommunications market. Last year, WorldCom launched "the Neighborhood," the industry's first any-distance, all-inclusive offering combining local and nationwide long distance calling from home to consumers for one low monthly price. That service is now available in 48 states and is used by more than 3-1/2 million consumers. More recently, WorldCom introduced a similar offering for small business customers. Another recent

¹² See *AT&T Corp. v. Iowa Utils. Bd.*, 525 U.S. 365, 371 (1999); H.R. Rep. No. 104-204, at 89 (1995); see also, *In re: Applications of XO Communications, Inc.*, 17 FCC Rcd. 19212, ¶¶ 28-30 (2002) (concluding that reorganized competitive LECs' ability to participate in telecommunications markets promotes competition and thus furthers the public interest); see generally, 47 U.S.C. §251 *et seq.* (relevant provisions of the Telecommunications Act of 1996).

¹³ See, <http://www.state.tn.us/tra/relaycenter.htm> (describing MCI's involvement as the operator of the Tennessee Relay Service)

service innovation, "MCI Advantage," is a network-based Internet-protocol ("IP") communications product that is available to both the enterprise and small business markets in all 94 metropolitan service areas where WorldCom owns local service facilities.

WorldCom has continued to provide these innovative and sophisticated services while in Chapter 11 bankruptcy, and will continue to do so after confirmation of its reorganization plan. Judge Gonzalez, the judge overseeing the bankruptcy cases, recognized that WorldCom not only has "made progress with respect to [its] business plan," but also is "expanding [its] customer base and moving towards a successful reorganization."¹⁴ Its ability to do so "yield[s] tangible public interest benefits."¹⁵

Moreover, granting the application will protect the interests of existing WorldCom customers. Judge Gonzalez has noted that "[f]or many customers, WorldCom provides the backbone of their business, and the Debtors' inability to serve such customers, including the United States government, could prove devastating."¹⁶ If WorldCom does not emerge from bankruptcy and continue to provide services to Tennessee customers, including the State of Tennessee itself, those customers and other WorldCom subscribers could suffer significant interruptions of service, and would have to invest time and money to find another provider that can offer them similar or comparable services, most likely at less competitive rates. Expediently completing the reorganization would avoid these negative consequences.

¹⁴ *In re WorldCom, Inc.*, Memorandum Decision and Order Denying Motions for Appointment of a Chapter 11 Trustee and Examiner, Case No. 02-13533 (AJG) (unpubl.), at 22 (Bankr. S.D.N.Y. May 16, 2003) ("*May 16 Order*").

¹⁵ *See In re XO Communications, supra*, 17 FCC Rcd. at ¶ 28.

¹⁶ *May 16 Order*, at 23.

F. WorldCom's Reorganization Will Promote the Public Interest Goals of the Bankruptcy Code

Chapter 11 of the Bankruptcy Code reflects Congress's determination that allowing a financially troubled business to rehabilitate itself and be restructured is preferable to, and more economically efficient than, liquidation of its assets.¹⁷ Accordingly, Congress established a reorganization process, "[t]he fundamental purpose of [which] is to prevent a debtor from going into liquidation, with an attendant loss of jobs and possible misuse of economic resources."¹⁸ Reorganization allows a debtor to continue to operate in the future, satisfy creditors' claims, protect investors' interests, and produce a return.¹⁹ Rehabilitation also protects investors,²⁰ and furthers the general Bankruptcy Code policy of maximizing the value of the bankruptcy estate.²¹

These principles establish *a fortiori* that consummation of the reorganization will yield "significant public interest benefits."²² The continued vitality of New MCI after the completion of the bankruptcy process will protect the jobs of tens of thousands of workers and ensure that WorldCom's remaining assets are put to an efficient use.

In this case, the virtually all of the creditors have now indicated that their interests are best served by the preservation of WorldCom's assets as a working entity, not by liquidation of those assets. Indeed, the SEC recently observed, in a filing with the Bankruptcy Court, that "the

¹⁷ H.R. Rep. No. 95-585 at 220 (1978), *reprinted*, 1978 U.S.C.C.A.N. 5787.

¹⁸ *NLRB v. Bildisco & Bildisco*, 465 U.S. 513, 528 (1984); *see also*, *United States v. Whiting Pools*, 462 U.S. 198, 203 (1983) ("By permitting reorganization, Congress anticipated that the business would continue to provide jobs, to satisfy creditors' claims, and to produce a return for its owners.").

¹⁹ *See Whiting Pools*, *supra*, 462 U.S. at 203; *Toibb v. Radloff*, 501 U.S. 157, 163 (1991).

²⁰ S. Rep. No. 95-989 at 10 (1978), *reprinted*, 1978 U.S.C.C.A.N. 5796.

²¹ *See Toibb*, *supra*, 501 U.S. at 163; *see also*, *Whiting Pools*, *supra*, 462 U.S. at 203 (noting that reorganization process reflects Congress' recognition that "the assets of the debtor would be more valuable if used in a rehabilitated business than if 'sold for scrap'").

²² *In re Applications of Space Station Sys. Licensee, Inc.*, 17 FCC Rcd. 2271, ¶ 44 & n.126 (2002).

liquidation of WorldCom would harm creditors, investor victims, and WorldCom's employees, while benefiting only WorldCom's competitors."²³

WorldCom's reorganization likely also will help contribute to the revival of the telecommunications industry.²⁴ As one commentator has noted in the Wall Street Journal, "more often than not, the market is well served by the [bankruptcy] process. The sooner the losses are recognized and absorbed, the faster companies and markets can recognize the marginal costs of using the bankrupt enterprise's resources for worthwhile services. All of which will encourage lower prices, expanded demand and greater economic efficiency. The U.S. economy will be the beneficiary."²⁵

VI. CONCLUSION

For the reasons stated above, Petitioners respectfully submit that the Authority should determine that the public interest, convenience, and necessity would be furthered by the transactions contained in the Plan of Reorganization. Indeed, failure to grant it would directly harm the public interest and potentially create unnecessary conflicts with federal bankruptcy law and a decision by the federal Bankruptcy Court approving the Plan. In light of the circumstances described herein and, in particular, the need to ensure continuity of service to existing customers, Petitioners respectfully request expedited consideration of this Petition to permit Petitioners to consummate the proposed transactions described herein as soon as possible, and in any event, no later than November 19, 2003.

²³ Submission of the Securities and Exchange Commission, Case No. 02-CV-4963 (JSR), June 6, 2003, at 17.

²⁴ See *Dealing with the Telecommunication Industry's Difficulties*, Presentation at the Federal Communications Commission *en banc* hearing, Oct. 7, 2002 (available at http://ftp.fcc.gov/enbanc/100702/white_presentation.pdf) (presentation of Lawrence J. White, Stern School of Business).

²⁵ Lawrence J. White, *In Praise of Bankruptcy*, WALL ST. JOURNAL, Jan. 21, 2003.

DATED: September 19, 2003

Respectfully submitted,

**WORLDCOM, INC., for itself and on behalf of
its Tennessee public utility subsidiaries**

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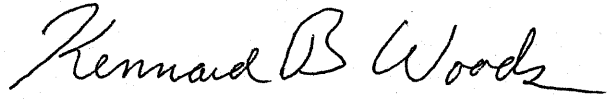
VERIFICATION

I, Kennard B. Woods, state that I am Senior Attorney of WorldCom, Inc., Applicant in the foregoing Application of WorldCom, Inc.; that I am authorized to make this Verification on behalf of WorldCom, Inc; and that the statements in the foregoing Application are true to the best of my knowledge, information and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 19 day of September, 2003, at Atlanta, Georgia.

By: _____



Kennard B. Woods

Exhibit 1

TENNESSEE PUBLIC UTILITY SUBSIDIARIES

Brooks Fiber Communications of Tennessee, Inc. IXC and CLEC license granted: Docket No. 95-02764

Intermedia Communications, Inc. IXC license granted: Docket No. 96-00942; CLEC license granted: Docket No. 96-00942; OSP license granted Docket No. 95-03342

MCImetro Access Transmission Services, LLC IXC and CLEC licenses granted: Docket No. 93-08793

MCI WorldCom Communications, Inc. IXC, CAP and OSP licenses reorganized in: Docket No. 99-00433

Metropolitan Fiber Systems of Tennessee, Inc. CAP license granted: Docket No. 94-02564

Exhibit 2

STIPULATION

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re

WORLDCOM, INC., et al.,

Debtors.

**Chapter 11 Case No.
02-13533 (AJG)**

(Jointly Administered)

**STIPULATION AMONG THE OBJECTING PARTIES AND THE DEBTORS
CONCERNING THE AMENDED PLAN AND THE SUPPLEMENT**

WHEREAS, on July 21, 2002 (the "Petition Date") and November 8, 2002, WorldCom, Inc. and certain of its direct and indirect subsidiaries (the "Debtors") commenced cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). By Orders dated July 22, 2002 and November 12, 2002, the Debtors' chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered. The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, on April 14, 2003, the Debtors filed a disclosure statement (the "Disclosure Statement") and chapter 11 plan of reorganization (the "Plan"). The Disclosure Statement was approved by the Bankruptcy Court as containing adequate information pursuant to section 1125 of the Bankruptcy Code at a hearing on May 22, 2003;

WHEREAS, on July 9, 2003, the Debtors filed a Supplement to Debtors' Disclosure Statement (the "Supplement") and Amended Joint Plan of Reorganization (the "Amended Plan"), and on August 4, 2003 the Debtors filed a Second Supplement to

Debtors' Disclosure Statement (the "Second Supplement" and collectively with the Supplement, the "Supplements");

WHEREAS, the Amended Plan and Supplement provide for, *inter alia*, (i) the merger of Intermedia Communications, Inc., one of the Debtors, into a subsidiary of WorldCom, with such subsidiary being the surviving entity (the "Intermedia Merger"), (ii) the merger of WorldCom, as reorganized, into a wholly-owned subsidiary that is incorporated in Delaware (the "WorldCom Merger" and, together with the Intermedia Merger, the "Mergers"), and (iii) the consolidation of the Debtor-entities and businesses that comprise WorldCom's local exchange carrier business (the "CLEC Consolidation");

WHEREAS, the Supplement provides that the Debtors believe that certain state regulatory laws, including the regulatory laws of the approximately 31 state Public Utility Commissions (the "PUCs") are preempted pursuant to section 1123 of the Bankruptcy Code and state regulatory review is preempted by section 525 of the Bankruptcy Code. The Supplement also provides that, outside the bankruptcy context, some of the transactions contemplated by the CLEC Consolidation and the Mergers would be subject to the jurisdiction of certain of the 50 state PUCs;

WHEREAS, the Amended Plan provides that the CLEC Consolidation and the Mergers, and any mergers, transfers of assets, dissolutions, consolidations, and other transactions contemplated by the CLEC Consolidation and/or the Mergers, will be approved and effective as of the effective date of the Plan without the need for any further state or local regulatory approvals;

WHEREAS, on July 28, 2003, the California PUC (the "CPUC"), the California Department of Justice (the "CDOJ") and the PUCs and agencies of numerous

other states, including: State of Montana; State of Hawaii, Department of Taxation; Paul G. Summers, Attorney General and Reporter on behalf of the Tennessee Regulatory Authority; State of Minnesota, Department of Commerce and Office of the Attorney General; State of Vermont; State of West Virginia ex rel. Darrell V. McGraw, Jr., Attorney General; State of Missouri, Jeremiah W. Nixon Attorney General; State of Illinois, Lisa Madigan, Attorney General of the State of Illinois on behalf of the People of the State of Illinois; State of South Dakota; State of Oregon and the State of Arkansas (the "Other Objecting States," and together with the CPUC and the CDOJ, the "Objecting Parties") filed or joined in a Limited Objection to the Amended Plan and Supplement ("Limited Objection") disputing that sections 1123 and 525 of the Bankruptcy Code preempted their state and local regulatory authority and preempted regulatory review under state and local regulatory laws; and

WHEREAS, the parties hereto are entering into this stipulation to resolve the Limited Objection;

NOW, THEREFORE, the Objecting Parties and the Debtors, by the undersigned, hereby stipulate and agree as follows:

1. The Debtors agree to and recognize the jurisdiction of the state regulatory enforcement authorities, including, but not limited to, the PUCs, over the Debtors' operations, including any transactions contemplated by the CLEC Consolidation and the Mergers to the extent provided under state law, and to the extent not pre-empted by operation of the United States Bankruptcy Code.

2. The Plan and the Supplement shall retain language that the Debtors may seek to preempt state review of the Mergers and CLEC Consolidation under the doctrine of implied preemption. See e.g., *Baker & Drake, Inc. v. Pub. Serv. Comm'n (In re Baker & Drake, Inc.)*, 35 F.3d 1348 (9th Cir. 1994).
3. Subject to the provisions of Paragraph 7 below, the Debtors do not rely on the theory of express preemption pursuant to Sections 1123 and/or 525 of the Bankruptcy Code in asserting that it is not necessary to receive regulatory authorization to effectuate the CLEC Consolidation and the Mergers, and hereby agree that, upon entry of the order approving this stipulation, any reference to express preemption under Sections 1123 and 525 of the Bankruptcy Code, or otherwise, in the Supplement and the Amended Plan pertaining to the police and regulatory authority of federal, state or local regulators shall be deemed struck and of no force and effect, and all parties shall be prohibited from relying on such language.
4. To the extent the Mergers and CLEC Consolidation or any other matters are covered by state law and regulation, the Objecting Parties assert that no preemption applies to their review. Where the Debtors disagree, the Debtors agree to seek a determination by the Bankruptcy Court, after notice and a hearing as provided herein, as to whether implied preemption precludes review by any

particular state of the Mergers and CLEC Consolidation or any other matters covered by state law.

5. The Debtors filed on August 20, 2003, an application (the "Exemption Application") with the CPUC seeking an exemption from state review of the Mergers and the CLEC Consolidation pursuant to section 853(b) of the California Public Utilities Code, provided, however, that such Exemption Application is not and shall not be deemed a waiver by the Debtors of any and all claims that review of the Mergers and the CLEC Consolidation is preempted as described herein. On or before September 19, 2003, to the extent required by applicable state law, the Debtors shall also file with the PUCs of Other Objecting States applications for approval or exemption from review of the Mergers and CLEC Consolidation (collectively with the Exemption Application, the "Exemption Applications").
6. The CPUC staff and the staff of the PUCs of the Other Objecting States (to the extent applicable) shall use their best efforts to process the Exemption Applications expeditiously.
7. In the event that the Debtors file Exemption Applications and the CPUC or the PUCs of the Other Objecting States have not approved the Debtors' Exemption Applications on or before November 19, 2003, or in the event that circumstances transpire which, in the Debtors' sole discretion, cause the rendering of a

final decision by November 19, 2003 to be unlikely, or in the event a State which has heretofore not objected seeks to assert jurisdiction over the CLEC Consolidation and/or the Mergers, the Debtors reserve any and all rights to reassert that approval by any of the PUCs of the CLEC Consolidation and/or the Mergers is preempted under the doctrine of implied pre-emption or express pre-emption as described herein, and reserve the right to bring this issue before the Bankruptcy Court, provided that the Debtors shall give no less than 14 days written notice, served by facsimile or electronic mail, to all Objecting Parties, the PUCs and any state which heretofore has not objected and seeks to assert jurisdiction over the CLEC Consolidation and/or the Mergers.

8. The PUCs reserve any and all rights to dispute the Debtors' assertion that the PUCs' review of the CLEC Consolidation and/or the Mergers is preempted.
9. The Objecting Parties, upon entry of an order approving this stipulation, shall withdraw without prejudice the Limited Objection, and related joinders thereto, and may renew the Limited Objection and related joinders if the Debtors renew their preemption contentions as provided herein.
10. Each person who executes this stipulation by or on behalf of each respective party warrants and represents that he or she has been

duly authorized and empowered to execute and deliver this stipulation on behalf of such party.

11. The Bankruptcy Court shall retain jurisdiction to hear and determine all matters respecting whether state regulatory review of the transactions contemplated in the Amended Plan and Supplements relating to the CLEC Consolidation and/or Mergers is preempted as described herein.
12. This Stipulation may be executed in identical counterparts, each of which shall constitute an original and all of which shall constitute one and the same.

SO ORDERED, this ____ day of _____, 2003

HONORABLE ARTHUR J. GONZALEZ
UNITED STATES BANKRUPTCY JUDGE

Dated: September ___, 2003

STIPULATED AND AGREED:

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Title: _____

STATE OF HAWAII, DEPARTMENT OF TAXATION

By: _____
Name: _____
Title: _____

PAUL G. SUMMERS, ATTORNEY GENERAL AND REPORTER ON BEHALF OF
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OF ILLINOIS ON BEHALF OF THE PEOPLE OF THE STATE OF ILLINOIS

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STATE OF SOUTH DAKOTA

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Name: _____
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STATE OF OREGON

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Name: _____
Title: _____

STATE OF ARKANSAS

By: _____
Name: _____
Title: _____